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MAJOR ISSUES OF U.S. POLICY IN EAST ASIA

A STAFF REPORT

TO THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

MARCH 1989

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LETTER OF TRANSMITTAL

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, March 9, 1989.

The Honorable CLAIBORNE PELL,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: At the direction of the ranking minority member and yourself, we traveled to four nations in East Asia in late 1988 for the purpose of assessing the impact of major developments on U.S. policy in the region. We visited Thailand, the Philippines, Hong Kong, and Japan, and in each country had the opportunity to meet with a wide range of governmental leaders, journalists, academics, businessmen, and diplomats.

The visit to Thailand focused on the future of Cambodia, whose fate hangs in the balance as Vietnamese troops complete their withdrawal in 1989 and 1990. We find it entirely conceivable that Cambodia could become the victim of a protracted civil war or, even, another holocaust. At the same time we see great opportunities to promote a free and independent Cambodia, and have included in the report recommendations to enhance the possibilities of that outcome.

Our meetings in the Philippines focused on United States bases and on international and domestic measures necessary to cope with the insurgency and improve the social and economic welfare of the people. We found that while major democratic reforms had been instituted in Manila and the provinces, economic improvements at the grassroots level were only beginning. We suggested several measures to improve the situation, including efficient and expeditious distribution of international aid.

The Hong Kong meetings addressed the issue of Vietnamese refugees, thousands of whom fled the northern part of their country in 1988 as a result of drought and poor economic conditions. Their condition in Hong Kong refugee camps was not much better, and we raised concerns about this matter with Hong Kong and UNHCR officials.

Our meetings in Japan focused on burdensharing in the broadest sense of the term. We found that while Japan is providing considerably more foreign aid than generally appreciated, it could do more in that regard, as well as in its overall contributions to global peace and stability. We concluded that Japan has the greatest capacity of any nation on earth to stimulate economic development

in the Third World, and have included some burdensharing recommendations in the report.

Sincerely,

HENRY KENNY
WILLIAM C. TRIPLETT II

THAILAND/CAMBODIA

Our principal purpose in visiting Thailand was to investigate and report on the situation in Cambodia, and to convey to Thai officials the sentiments of the Senate in this regard. We also focused on the problems of Indochinese refugees and drug trafficking.

We met with Ambassador O'Donahue and virtually every Embassy officer responsible for Indochina. Meetings were also held with Prince Ranariddh, chief spokesman for his father Prince Sihanouk and Commander-in-Chief of the Armie Nationale Sihanoukist (ANS), KPNLF Deputy Commander-in-Chief General Dien Del, Thai General Suraya Chulanond, who is responsible for border areas, National Security Council Secretary General Suwit Suthanukul, Thai Foreign Minister Siddhi Savetsila, Permanent Secretary Karem Kasemari, United Nations High Commissioner for Refugees (UNHCR) and United Nations Border Relief Operation (UNBRO) officials, and a wide range of other government and political and military leaders. We also took the opportunity to travel to the UNHCR refugee camp at Khao I Dang, the KPNLF camps at Site 2, the Vietnamese boat people camp at Ban Thad, the Sihanouk camp at Site B, Surin, Korat, and Chiang Mai. Based on these visits, discussions and independent observations and analysis we came to the following conclusions:

The Military Balance

(1) The Phnom Penh-based People's Republic of Kampuchea (PRK) forces are stronger than generally reported. The 30,000-plus regular army is supplemented by provincial and local forces at least equal to that number, and the entire force is expanding in size and weaponry.

(2) PRK forces loyality to the Heng Samrin regime is mixed. All abhor and fear a return of the Khmer Rouge, and most have benefited from improved economic conditions compared to the devastation and starvation of the past. Nevertheless, many continue to look to Sihanouk. Some PRK forces are cooperative with ANS forces and there is a modest potential for ANS mobilization of them.

(3) Khmer Rouge (KR) forces are the best organized, disciplined, and experienced of the four Cambodian factions. Their over-30,000 man force is seeking to expand and poses a definite threat to whatever government emerges in Phnom Penh. Continued international military support could enable them, over a period of time, to control most of the country.

(4) Foreign weapons, equipment, and ammunition continue to flow to KR forces, who are storing them at alarming rates. A Bangkok newspaper reported that the KR have already stored enough for an army three times its present size.

(5) Although the KR has demonstrated military superiority over the other three factions in a very limited number of engagements,

it is carefully husbanding its resources, engaging primarily in the conscription and training of recruits, and the cacheing of weapons, with a view toward countering other Cambodian forces rather than attacking withdrawing Vietnamese forces.

(6) Despite its military strength, the KR may be politically vulnerable. It is fragmented between forces loyal to Pol Pot, Khieu Samphan, Ieng Sary, and General Ta Mok. Some of these forces are disillusioned with KR policies and look to Sihanouk as a viable alternative for leadership in a post-Vietnam Cambodia. Moreover, the average Cambodian supports the KR only out of fear.

(7) The non-Communist Khmer People's National Liberation Front (KPNLF) has rebounded from nearly complete ineffectiveness a year ago to a modest capability today. Its military arm of some 10,000 men is expanding, but field grade leadership is still weak. Its presence inside Cambodia is quite limited.

(8) KPNLF political strength was enhanced considerably by the removal of certain warlords during the past year. However, a marked division of forces loyal to Son Sann and those loyal to generals Sak Satsukhan and Dien Del still exists, thereby reducing the potential effectiveness of the force,

(9) A fledgling organization just 3 years ago, the ANS is now a force to be reckoned with. Numbering about 15,000 men, the ANS is growing rapidly and beginning to undergo serious military training. It has a substantial presence inside Cambodia and is cooperating with both KPNLF forces, and to a lesser extent, PRK forces. Given its limited size, weaponry, training, and military leadership, however, it remains highly vulnerable to KR attack.

(10) The popular political appeal of Prince Sihanouk gives the ANS an immense advantage in the area of recruitment. Numerous defections from the KR northern front have combined with significant PRK cooperation to enable the ANS to penetrate deeply into Cambodia. There is considerable potential for ANS expansion.

(11) The Vietnamese withdrew a significant number of troops in 1988, but may still retain some 70,000 troops in Cambodia as the year of the Serpent begins February 6, 1989. Further substantial Vietnamese withdrawals in 1989 will likely be linked to political concessions, such as cessation of foreign aid to the KR. Vietnam continues to say it will be out of Cambodia by the end of 1990 in any case.

(12) Vietnamese "advisors" may remain in PRK units in 1989 and 1990, along with logistic and C^3I support for the Phnom Penh regime. The People's Army of Vietnam may continue to provide fire support for heavily engaged PRK units for at least another year.

Political Prospects

(1) Cambodia is entering a crucial phase in its history. Possible scenarios range from another holocaust at the hands of the KR to continued Vietnamese suzerainty, and from civil war and a truncated Cambodia to an internationally supervised peace in which a nationalist coalition under the leadership of Prince Sihanouk emerges. Events in 1989 are pivotal in determining which outcome eventuates.

(2) A bloody purge is possible. KR military forces are currently held in check principally by (*a*) Vietnamese forces, and (*b*) Chinese political pressure. The KR have no love for the Phnom Penh "Vietnamese puppet regime" and if given the opportunity, would likely purge its ranks.

(3) Vietnam would not tolerate such a purge and would likely retaliate by reentering Cambodia in military force sufficient to drive the Khmer Rouge from Phnom Penh once again, but this time to the applause rather than the condemnation of the international community.

(4) Alternatively Vietnam could retain sufficient advisors and supporting elements for the PRK regime to ensure its viability against KR attack. The continued Vietnamese presence in Cambodia, however, would resound to KR advantage as a nationalist rallying point under which to garner Khmer support and to justify further impressment into service of the Khmer peasantry.

(5) A truncated or divided Cambodia is thus a real possibility, with Vietnamese-supported forces dominant in the eastern section of the country, Khmer Rouge in the southwest, and non-Communist elements north of the Tonle Sap. Such a de facto split has the potential of turning Cambodia into another Lebanon. The prospects for this outcome would be enhanced in the absence of an internationally agreed and supervised political settlement.

(6) A negotiated settlement, guaranteed by the major powers with influence in Indochina, is essential for a peaceful future. Such a settlement would aim for a neutral Cambodia with a coalition government headed by Prince Sihanouk and consisting of the four factions—the KR minus its present leadership, the Heng Samrin regime, the KPNLF, and the Sihanoukists.

(7) Prospects for such a coalition, involving cooperation of erstwhile and current enemies, would be considerally enhanced by strong international pressure and support. Chinese action is crucial in influencing Khmer Rouge participation, while the U.S.S.R. and Vietnam can influence the PRK, and France, the United States and the ASEAN states the KPNLF and the Sihanoukists.

U.S. Actions

U.S. actions should be directed to influence the following:

(1) Eliminating Chinese support for the Khmer Rouge.

(2) Encouraging Vietnam to withdraw promptly and completely from Cambodia.

(3) Building up the political, economic, and military capacity of the Sihanoukists so that they can absorb the additional Cambodians who are beginning to rally to their nationalist cause.

(4) Providing support to the KPNLF to the extent that they forge greater internal unity and continue to cooperate peacefully and constructively with the Sihanoukists.

(5) Encouraging Soviet pressure on Vietnam to withdraw from Cambodia and on China to cease support for the KR.

(6) Supporting Sihanouk's efforts to convene an international conference in 1989 to address the issues of a coalition government and an international peacekeeping force.

(7) Fostering international support for the reconstruction of an independent and neutral Cambodia.

THE PHILIPPINES

We spent 3 working days in Metro Manila. Due to inclement weather, a typhoon, we were unable to travel beyond the city. We held an extensive series of discussions with United States Embassy officials, Philippine Government officials, and Manila-based American businessmen. We also had a short discussion with an official of the U.S. Mission to the Asian Development Bank. Among issues discussed were the United States-Philippines Bases Agreement, economic and political conditions, Communist insurgency, and foreign aid.

United States-Philippines Bases Agreement

We arrived in the Philippines just as the news of the 2-year bases agreement was being broadcast. The government made much of the "billion dollar package" and the United States pledge to target an additional $500 million of OPIC and EXIM assistance for the Philippines through fiscal year 1991. The press noted that annual security assistance pledged in the 1988 agreement, which is to commence in 1990, doubles that in the 1983 agreement. No notice was taken of the fact that U.S. assistance requested in conjunction with the bases agreement, including DA, ESF, MAP and food, would not differ appreciably from the levels of 1986–88, as may be seen in the following table:

U.S. ASSISTANCE TO THE PHILIPPINES

[New allocations in millions of dollars]

Fiscal year	1986	1987	1988	1989	1990 (request)
DA	16.4	13	13	40	55
ESF	219.6	250	* 174	124	160
MAP	102.6	100	125	124	200
FOOD	40.8	107.2	61.7	50	41
Total	445.8	470.2	433.7	339	456

* Includes $50 million in agrarian reform

While there was some criticism of the base review by local politicians, most United States and Philippine officials felt relieved to have it completed.

Economic and Political Conditions

During the last year of the Marcos regime, the economy of the Phillippines had deteriorated at an alarming rate. A 1982 per capita income of $780 had, by 1986, dropped to $550 with 70 percent of the population living below the poverty line. It was no accident that during these same years the Communist insurgency spread like wildfire, and the legitimacy of the central government came under even greater question.

We found that this downward trend is beginning to be reversed. Following a real growth rate of over 5 percent in 1987, GNP for

1988 was expected to reach the 6.5-percent growth target, while inflation remained under control. The growth, however, was considered to be demand-led and unable to be sustained for an extended period without significant external aid. Moreover, the growth experienced thus far has been from a low base, and the resultant impact on the livlihood of the average Filipino is as yet minimal.

A land reform bill was passed in 1988, calling for a phased reduction in large landholdings with redistribution to tenant farmers of up to 5 hectares per head of household and 3 additional hectares per adult child working the land. We met several large landowners who claimed to have made arrangements with their tenant farmers to process and distribute their crop under the new system. In some areas, such as Negros, farmer cooperatives are being formed to avoid the many middlemen payoffs otherwise involved. One problem of the land reform is that it requires compensation for the landowners, so that the overall process is likely to move quite slowly.

While abundant economic and social problems remain a fact of Philippine life, the political atmosphere does seem to have stabilized considerably since 1986. A new constitution was voted upon and approved, separate national elections for the Congress and local officials throughout the country were successfully concluded, and the threat of a military coup has receded. We expressed the interest of Congress in improved human rights and were given assurances that efforts would continue in this regard.

Corruption continues to be a problem, but it is less apparent at the highest levels of government and in the House of Representatives, whose members are responsible to constituencies in their districts. We presented a New York Times article on corruption in the Philippines to our interlocutors, and elicited agreement that toleration of corrupt practices continues to plague the bureaucracy and inhibit governmental reforms in Manila. In the countryside, however, certain elected governors and local officials have begun to crack down on corrupt practices.

Communist Insurgency

The tremendous growth of the New People's Army (NPA) during the late 1970's and early 1980's has been arrested. Nevertheless, the NPA pose a considerable threat to governmental control in wide areas of the country, and, in many areas, are taking advantage of economic stagnation to garner greater political support. In some areas of the Philippines today, the NPA controls the barangays by day and night. The attached travel advisory, issued to us by the U.S. Embassy, urges Americans not to travel to several areas, to exercise special care in traveling to numerous other areas, and generally to constrict travel to tourist areas. This advisory is in marked contrast to liberal Embassy travel advice just 4 years ago.

There is some good news. The Philippine Constabulary, considered the most corrupt military unit, is being disbanded. Philippine military intelligence has made impressive penetrations of the Communist party leadership. The rate of insurgent recruitment does not seem to be increasing.

The role of the local militia in countering the insurgency is somewhat controversial. The regional forces appear to have made the most gains against the insurgency. At the same time,they are the subject of allegations of human rights violations and it is unclear what their loyalties may be. Some groups have ties to local planters who pay them, while others are under local governmental control and are being trained by the Philippine military.

Foreign Assistance

We discussed United States and other foreign aid in considerable detail with Philippine officials and at the Asian Development Bank, and urged that the central government do all in its power to expedite the flow of goods and services to the countryside, where many people are struggling to survive and political disaffection is on the rise.

We stressed the importance of governmental action in disbursing funds to well conceived projects and pointed out that the U.S. Congress would be unlikely to approve the multilateral aid initiative unless or until it could be demonstrated that foreign aid already in the pipeline is properly managed. Our concern stemmed from the fact that total undisbursed foreign aid to the Philippines exceeded $3 billion, of which the United States share was $260 million. We also expressed concern that ESF moneys had not been disbursed since August. It appears that a Philippine agency had chosen to categorize the ESF as base rent, to be spent without American agreement as to end use. This problem subsequently came to the attention of President Aquino, who directed disbursement of the funds in agreement with the U.S. Agency for International Development.

While we remain concerned about the management of U.S. and other aid programs, we are pleased to note considerable progress in the last quarter of 1988. Obligated U.S. developmental assistance rose from a level of $16 million in 1987 to $50 million in 1988, and the overall percentage of the pipeline being disbursed rose from 24 to 29 percent over the same period. Given the fact that most projects extend over several years, the size of the pipeline is not considered excessive by World Bank standards. In fact, the disbursement rate for 1988 was substantially greater than that of other LDC's, whose average disbursement rate is about 24 percent.

HONG KONG

Chimawan Government Camp

A visit was made to the Chimawan government camp for Vietnamese boat people on November 1. It is a closed camp run by the Hong Kong correctional authorities. It does, in fact, closely resemble a prison. There is a double wire fence about 20 feet high surrounding the facility. Gates are kept locked continuously. There is no play area for the children. Limited schooling for children up to 12 is provided. Only recently were they permitted to send and receive letters. There is no family privacy. A copy of an official Hong Kong government photo of the sleeping platforms is attached.

There is no question that the Hong Kong government has failed in its duties to the refugees, and they are sensitive to their failure. In contrast to Thailand where a Camcorder was permitted everywhere, Hong Kong authorities did not permit any picture taking. During the visit, the government's treatment of refugees was the subject of a series of negative reports in local and London newspapers.

AmCham Meeting

During the visit there was an afternoon's discussion with representatives of American high-technology firms under the auspices of the American Chamber of Commerce. Most of the discussion related to prospects for more high-technology sales to China and Cocom regulations.

JAPAN

Meetings in Japan were held with Ambassador Mike Mansfield, the Embassy staff, LDP Dietmen, MITI, and Ministry of Foreign Affairs personnel, Japanese aid officials and members of the press. A primary purpose of the visit to Japan was to discuss Japanese overseas development and technical assistance in the context of burdensharing in today's international environment.

In response to questioning regarding burdensharing, the Japanese noted that the 3-percent defense share of GNP called for in the State Department authorization in 1987 was well beyond what they or the Reagan administration had envisioned. They noted improvements in Japan's defense efforts, including large ASW and air defense assets, an annual budget of $30 billion which is on par with U.S. European allies, and multiyear real increases in defense spending exceeding overall governmental budget increases.

While agreeing that Japan has done a great deal to improve its self-defense capability, we noted the expectation in Congress that Japan would continue to increase the relative size of its overall contribution to global peace and security. The announced doubling of Japanese developmental assistance to a level of $50 billion over 5 years was a welcome development.

Suggestions for burdensharing included the following:

1. Expedite procurement of naval and air assets to defend sealanes out to 1000 miles;
2. Rectify weaknesses in readiness and sustainability;
3. Increase support for United States forces stationed in Japan, especially yen labor costs;
4. Increase developmental assistance well beyond its recent level of .31 percent of GNP, which is below the DAC average;
5. Take further initiatives in funding peacekeeping operations, such as in the Middle East and Cambodia; and
6. Participate in the multilateral aid initiative (Mini-Marshall plan) for the Philippines.

We discussed several trade issues, beginning with tied loans. During our visits to the Philippines and Thailand, several allegations had been made that Japanese companies were seeking to tie soft Japanese loans to major overseas projects of their companies. We were told this practice was contrary to Japanese policy and

that the OECF was exercising an open-bid approach to funded projects. While reassured by the policy, we noted that in some cases there could be problems in policy implementation. Second, we raised the issue of technology export controls, and the concern that they be instituted and applied consistently to Japanese know-how and products of potential military value. We also conveyed the concern of Congress that United States products enjoy the same kind of access to the Japanese market as Japanese products do here, mentioning specifically supercomputers, major projects, and agricultural products.

It was obvious to us that Japan is in a unique position to influence the global economic system, and that the economic resources for international use commanded by Japanese decisionmakers may exceed those of any nation on earth. We therefore urge that particular congressional attention be devoted to United States-Japanese relations in the context of global needs for development in the 21st century.

APPENDIX

TRAVEL ADVISORY

PHILIPPINES

CAUTION

EMBASSY OF THE
UNITED STATES OF AMERICA,
Manila, Philippines.

Most of the major tourist destinations in the Philippines are considered safe for travelers. These include Manila and Baguio, the Batangas area, Puerto Galera, and the Islands of Cebu, Bohol, Palawan, Boracay, Camiguin, and Marinduque. Most urban areas of the Philippines served by regular air service are safe and are not included in this advisory.

However, in consideration of the ongoing Communist insurgency and also criminal activity, Americans are urged not to travel to the following areas:

—The Sulu Archipelago;
—The Island of Mindanao (except the urban centers of the cities of Davao, Cagayan, De Oro, General Santos, Zamboanga, and Iligan);
—Samar Island;
—The Province of Kalinga Apayao;
—The Cagayan Valley located in Cagayan and Isabela Provinces.

While not included in the aforementioned list of places to avoid, special care should be exercised when traveling to other areas of Luzon, Principally Abra, Ifugao, and mountain provinces (including Banaue and Sagada), Quezon Province and all of Luzon south of Lucena City (except for Legaspi City).

Americans are urged to confine travel to the urban areas of cities served by regular air service on the islands of Panay, Negros, and Leyte. Travel to the rural areas outside these cities is not recommended.

Since at any given time there may be unsettled conditions in any area of the Philippines, special care should be exercised when traveling via public conveyances as well as private vehicles. Except for major urban areas, road travel at night should be avoided and national highways used at all times.

The Department of State recommends that all Americans consult with the U.S. Embassy in Manila or the U.S. Consulate in Cebu City for further information if they contemplate travel to or are now residing in certain areas of the Philippines as specified above. Caution is necessary for such travel.

Persons traveling outside normal tourist areas or who need additional information may contact the Consular Section of the Embassy in Manila, tel.: 521-7116, ext. 2567 or 2246, the Consulate in Cebu, tel.: 73486 or competent local authorities.

A recording of this advisory may be heard by telephoning 521-9261 in Manila.

Expiration date: May 1, 1989.

Vietnamese refugees in a Hong Kong refugee camp. (Source: Government Information Services. Printed by the Government Printer. Hong Kong.)

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